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"POST-WAR FOOD STOCKS"

By Lee Marshall, Director of Distribution
War Food Administration. Address before the
American Meat Institute, Chicago, Illinois
September 26, 1944

Although I am at present on furlough from the business world, I daresay that you and I still have a lot in common. You are concerned about food supply-- so is the War Food Administration. You are concerned about your customers-- civilians, the armed forces, and our allies-- and so are we. Both of us are concerned about what the food picture will be when hostilities cease and the needs of our armed services and other war requirements decline. And both of us are making plans and taking action now to minimize the foreseeable problems.

For these reasons, I am glad to be here with you today. It's a tradition, and a good one, for people with common problems to get together, with their elbows on the same table... and see the thing through.

First, though, it might be a good idea to get before us some of the major facts concerning food in this country.

You know that total agricultural production is up, in fact, it's up close to 140 percent of pre-war production. In ordinary times, roughly 40 percent increase might have meant surplus-- but war has given us new requirements to fill -- those of our armed forces and of our allies -- and civilian demand also has expanded considerably.

Take your own product for example. As you know, we'll reach an all-time high in meat production this year. Prospects are good for a production of 25 billion pounds, compared with about 16 billion pounds produced back in the pre-war years. With that production, we will be able this year to take care of the needs of our military forces, help our allies, and supply civilians with nearly 20 pounds more meat per capita than they had before the war. It is probable that civilians would consume even more if it were available.

To the farmers who produced record numbers of livestock -- there were 82 million cattle this year compared with the pre-war peak of 74 million in 1934 and almost twice as many hogs as the average before the war -- and also to you people in the meat industry who have worked "on the double" to butcher and process this livestock should go the credit for such an outstanding production record.

American meat has been going to every battlefield in the world. Without your cooperation in processing and handling it, this would have been impossible. Meat is war material and you have handled it as such. The production achievements of the meat industry as well as of all other branches of the food trade from farmer to packer to distributor have helped to make possible our successes on the battle front.

The storage situation, as could be expected, also indicates an increase in activity. On September 1 this year, nearly all items of food in storage

over the Nation were in excess of the September 1, 1943 figures and also were above the 5-year average from 1939 to 1943. As a matter of fact, there's more food in storage now than ever before in history...for the simple reason that the turnover is greater than ever before in history. Commercial stocks to supply the increased civilian demand have to be larger, and Government stocks to supply the increased war demands also must be high.

Government food requirements were never so great. Our needs now dwarf those of the last war. We have many more men to feed this time than in 1917-1918, and they're fighting all over the world, not just in Europe. What's more, we know more about nutrition, and we have an increased appreciation of the value of good morale. The boys this time are getting every food nutritionists say is necessary to keep them in top physical strength. In addition to this, we see to it that they get a share of the ice cream, the turkey, the soft drinks, the candy bars -- in fact, the biggest amount of home we can crowd into a barracks, a foxhole or a PX.

Added to the job of supplying U. S. military requirements is the job of giving some support to our fighting allies. Moreover, food has been shipped to American prisoners of war and to our territorial possessions. More recently, we have had to provide an extra quantity of food to the military so that they could do some emergency feeding in areas recently liberated by allied armies.

All in all, the volume of Government business is pretty big...WEA's alone is about 8 million dollars a day, the armed forces' even greater. And where there is such volume, it follows that there must be an inventory of somewhat comparable proportions. You may be interested to know, for instance, that on July 1 we had an inventory of about 650 million dollars. During the four month period - March 1 to July 1 -- our turnover was approximately that same amount. In other words, we turn our stocks, as a whole, 3 to 4 times a year. Our working inventory at the present time is slightly less -- valued at about 600 million dollars.

So, then, just as you stock food which you expect will be in demand by your customers, so does WEA. Blind stockpiling is ^{as} much against our policy as it is against yours and, aside from food purchased in fulfillment of price support commitments, WEA is buying no more food than is actually necessary to meet foreseeable demands. For instance, we plan to use for post-war relief feeding available lend-lease and military stocks before we reserve for or buy additional food for this purpose. We must maintain specified war reserves no matter how favorable the war may be going, but I, for one, don't think it necessary to build a separate stockpile of the same foods for post-war relief feeding when we know that at least a good share of the military and lend-lease reserves can be made available for that purpose. A few foods, however -- such as special pork products -- are being purchased specifically for use in liberated areas because they are needed immediately or because our stocks of certain relief foods will be insufficient to meet the estimated requirements.

As a matter of fact, it's pretty apparent that getting out of this war is going to be as much of a job as was getting the Nation into full production for war. The disposal of surplus commodities -- capital goods and foods -- will require a lot of careful handling. And I think they can be handled in a business like manner. The adjustments required in our economy may be nearly as great as those for the intensified development of our resources during the war period. And an important part of this "getting out" process will be the disposal of Government-owned foods. The responsibility for this has been given to the War Food Administration and, as you probably know, we've already started on this job -- which, as we see it, is to dispose of Government-owned foods in

an orderly manner, and to the greatest advantage to farmers, the trade and the general public.

The big job will come sometime after hostilities cease, especially after we have been victorious in both theatres of war. And it seems to me that the greatest problem will be adjusting agricultural production to demands. As mentioned before, I believe Government-owned food supplies can be marketed without disrupting the trade. There are some preliminary things, though, we can and are doing to make the job easier. These involve keeping Government food stocks as small as we can without endangering war needs, and in such condition that stocks not used in the immediate war effort can be used later.

In addition to buying only in accordance with foreseeable requirements, which I mentioned earlier, we also are checking our inventories regularly and marking for immediate sale these three types of food: (1) Food reserved to meet a need that did not materialize; (2) Food purchased in fulfillment of price support commitments and (3) Food packed last year or in previous years so that these may be replaced with 1944-packed food.

The actual sales job itself is being handled by WFA's Office of Distribution. How much we'll sell, how we'll sell, and what our prices will be all have come up for attention and, in cooperation with the trade, we've evolved a few guiding principles which we're testing now in preparation for the bigger job ahead.

For instance, we want to avoid disrupting normal trade operations so we're feeding to markets just what they can absorb without creating selling problems. For items in short supply on the civilian market, the job is easy. For others, the job is harder. It may involve the development of campaigns to increase consumption or we may take other measures. Whatever happens, however, we won't let our food glut or break the market.

Point number 2 among our guiding principles is that all sales shall be made public. Whenever we have goods to sell, the trade and all other interested parties will be notified by means of a press release or other official announcement. We plan to sell only through normal trade channels, however, since this is in line with our policy to make use of normal distribution facilities and to encourage stable marketing.

No rigid plan of re-selling has been developed, and none will be developed. We consider it to the best interests of all concerned that our sales procedure be flexible. Generally speaking, however, we do plan to offer salable goods first to firms which sold us these products. If they do not want any or all of it, or if they do not offer what we consider a fair price, other firms in the same business generally will get the next chance to buy. If any still remains, it will be offered to others in the food business. There have been and there will be exceptions to this general outline for selling, of course, but we intend to hold to this plan whenever it is practicable.

How much of post-war Government stocks we'll be able to dispose of by reselling to the trade is a question which I can't answer nor can any one else at the present time. It will depend primarily, I think, on the rate of farm production after the war and on the general employment level.

Some of our stocks -- meaning military as well as lend-lease -- will be needed for relief and rehabilitation purposes. So far as meats are concerned, for instance, it is doubtful whether there will be any surplus when Germany falls.

In immediate future, the emphasis on meats will be on buying, rather than selling. WFA stocks of pork and other meats are low, and substantial purchases this fall and winter will be needed to meet lend-lease requirements. Although the demand by our allies for such foods as grains and vegetables is starting to decline, the demand for meat and dairy products continues high. Russia, for example, is now in a better position to meet her prospective requirements for wheat, potatoes, and other foods, the production of which is relatively easy to expand, but she still needs large supplies of pork, fats and oils, and some other commodities from the United States.

During the remaining months of this year, therefore, we plan to buy large quantities of canned Tushonka, pork luncheon meat and bulk pork sausage, as well as moderate quantities of certain other canned pork products. Purchases of fresh frozen and cured pork also will be large.

Meat requirements of the armed forces also will continue to be high, at least during the same period. Of course, there will be a decline in military demand as the military forces become smaller.

As I see it, a quick summary of the food supply situation based on the information now available would be about as follows:

It is most unlikely that meats held by Government agencies will present any surplus problem after V-E day. Foreign relief needs, as indicated by current demands, are expected to provide an outlet for Government-held meat supplies.

Some steps can be taken now and in future months to keep things in balance. For instance, farm production will have to be adjusted when war needs decline. Also, the Government can reduce the size of food stocks which will be carried over into the post-war period by buying no more than necessary and by selling now whatever food can be spared from working inventories. And we have been doing just that for a number of months. In addition, as soon as supplies permit, rationing can be removed from more foods.

Still other steps can be taken to prevent food stocks and production from becoming a problem even though the carryover be large. They can be moved through normal trade channels in an orderly manner and at a rate consistent with, not contrary to, demand. Part of them will be needed for relief feeding purposes. Part of them can be moved into non-competitive uses such as school lunch programs, public welfare programs, and industrial uses, if Congress so directs. Naturally, there also will be some exports of food other than for relief purposes.

Finally, we ourselves can do something about demand. I think the war has shown that food is seldom in surplus -- it's buying power that's deficient. We have to keep employment high or food surpluses, as well as surpluses of capital goods, will be a serious problem.

If all of us in the food trade would assume a personal responsibility in helping to see that people are employed profitably, we'd be doing ourselves as well as the entire country a favor. Saving money ourselves and practicing what we preach by encouraging others to save now means buying power later. And buying power creates jobs. Refrigerators, automobiles, or meat won't sell unless people have the money to pay for them. And people won't have the money to pay for them unless they have jobs. I realize that food officials usually stick to food and don't go wandering off into the field of jobs and savings -- but I really don't consider that I have digressed. Jobs and savings are as much a part of our problem --and our responsibility-- as production goals and quality improvement. I hope that you see it that way, too.